

**MANCHESTER DISTRICT LIBRARY  
Washtenaw County, Michigan**

**AUDITED FINANCIAL REPORT**

**For the Fiscal Year Ended  
May 31, 2008**



MANCHESTER DISTRICT LIBRARY  
For the Year Ended May 31, 2008

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## FINANCIAL SECTION



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### Independent Auditor's Report

November 18, 2008

To the Board of Trustees  
Manchester District Library  
Washtenaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, and the General Fund of Manchester District Library as of and for the year ended May 31, 2008 which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Manchester District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Manchester District Library as of May 31, 2008, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.





Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Manchester District Library's basic financial statements. The accompanying required supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The required supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink that reads "Post Smythe Lutz and Ziel of Plymouth". The signature is written in a cursive, flowing style.

Post, Smythe, Lutz and Ziel of Plymouth LLP  
Certified Public Accountants



## Management's Discussion and Analysis

As management of Manchester District Library, we offer readers of Manchester District Library's financial statements this narrative overview and analysis of the financial activities of Manchester District Library for the fiscal year ended May 31, 2008.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide financial statements.

### **Manchester District Library as a Whole**

The Library has net assets of \$556,617. A substantial portion of the Library's net assets (50%) reflects its investment in capital assets (e.g. books, leasehold improvements, machinery and equipment, and furniture and fixtures). The Library uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending.

Net assets increased by \$32,548, or 6.2% during the year ended May 31, 2008. Revenues increased by \$36,101, as a result of an increase in property tax revenues.

Library use as measured by circulation, patron visits, and computer use has stayed level or improved during the past year. During calendar year 2007 we checked out more than 75,000 items. As a member of The Library Network we continue to participate in a shared catalog, with delivery 5 days a week to pick up and drop off requested items.

Collection development continues to focus on providing what our patrons need and request, including feature films on DVD, audio books of all sorts, best selling fiction, and non-fiction materials to support students of all ages.

Our staff has been very stable this year with no turnover. As part of the new fiscal year we added two Youth Services Assistants, who will help expand our programs for youth and families. We look forward to providing more for our patrons while still being sensitive to budgetary constraints. All staff place an emphasis on fulfilling patron needs and providing great customer service.

During the 2007-2008 fiscal year the Library completed a major remodeling project. The second level was opened up by removing walls and made more useful with custom-fit shelving and new study space. The ground floor benefited greatly from a general reorganization, new carpet, and fresh paint. Our collections are all housed together now and finding

materials is easier. As we increase programming, finding space for programs becomes more challenging, and the remodel has given us a bit more flexibility in that regard.

### Governmental Activities

The Library does not have many options to increase revenue. The Library's total government activity revenues were \$424,329 this year. Property taxes were \$381,655 or 90% of the total revenues. Property tax increases are controlled by various State laws that restrict the increase in taxable values to amounts at or below the rate of inflation. State revenue sharing and penal fines were \$20,839 or 5% of total governmental revenue. The remaining 5% of revenue is comprised of contributions, fines, fees and investment income. The Library's budget is expended largely on salaries and benefits with expenditures of \$189,106 or 48%, and rent, utilities, and insurance on its facilities of \$70,004 or 18%. The remaining budget is being dedicated to other functions such as Library programs, operating supplies and interlibrary automated services. The Library also sent \$25,996 or 6.8% of its property tax revenues to another Library as part of a service agreement.

In a condensed format, the following table shows Net Assets and Change in Net Assets as of May 31, 2008 and 2007:

	2008	2007
Current and Other Assets	\$ 291,747	\$ 392,584
Capital Assets	278,770	139,289
Total Assets	<u>570,517</u>	<u>531,873</u>
Long-term Liabilities	7,237	1,739
Other Liabilities	6,663	6,065
Total Liabilities	<u>13,900</u>	<u>7,804</u>
Net Assets:		
Invested in Capital Assets	278,770	139,289
Restricted	5,935	5,612
Unrestricted	271,912	379,168
Total Net Assets	<u>\$ 556,617</u>	<u>\$ 524,069</u>
	<u>2008</u>	<u>2007</u>
Revenues:		
Property Taxes	\$ 381,655	\$ 350,580
State Shared Revenue	7,770	2,526
Penal Fines	13,069	14,743
Fines and Fees	10,483	9,518
Interest Income	8,936	7,822
Contributions and Grants	2,416	2,639
Other Revenues	-	400
Total Revenues	<u>424,329</u>	<u>388,228</u>
Program Expenses:		
Public Library	<u>391,781</u>	<u>343,993</u>
Change in Net Assets	<u>\$ 32,548</u>	<u>\$ 44,235</u>

Library expenditures this year showed some differences from the previous year. One of the most noticeable was the increase in the amount spent on salaries, which is due to additional staffing for increased patronage. Rent and utilities also increased as a new shared usage agreement became effective October 1, 2005. Depreciation expense also increased as GASB 34 implementation requires books and materials to be capitalized and depreciated over their useful lives, as the Library continues to purchase books and materials, depreciation on those books and materials increase.

### **General Fund**

The fund financial statement provides a more detailed analysis of the Library operations, which is focused primarily on the current use of available resources.

The General Fund relates to the general governmental activities of the Library, which are financed by property tax levies, by distribution of State Shared revenues, penal fines and from fees charged. The General Fund's fund balance decreased \$101,435 largely due to the library renovation project. Total expenditures in the General Fund were \$525,764 in the current year, including salaries and benefits of \$189,106 or 36%, and books and related materials of \$41,177 or 8%.

### **General Fund Budgetary Highlights**

Manchester District Library adopts an annual appropriated budget for its general fund, and a budget to actual comparison statement has been provided to demonstrate compliance with this budget.

The original budget projected a \$100,000 decrease in fund balance and the final amended budget projected a \$140,000 decrease in fund balance. Actual results ended with a decrease of \$101,435 in fund balance.

### **Capital Assets**

Manchester District Library's investment in capital assets as of May 31, 2008, amounted to \$278,770 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, books and related materials, furniture and fixtures, and equipment.

For the fiscal year ended May 31, 2008, the Library capitalized a total of \$173,936. This included \$37,754 of books, movies, and audio visual materials, and \$136,182 of work on the Library's interior renovation project, including furniture and fixtures.

### **Economic Factors and Next Year's Budgets and Rates**

In planning for 2008-2009, we have focused on maintaining our current levels of staffing and collection development and hope to increase service hours in 2009-2010. Uncertainty in the economy and a shake-up of the housing market may very well lead to reduced tax revenues in following years. We plan to continue to manage our funds wisely and

operate efficiently so that we may provide our patrons with as many services and materials as possible.

**Requests for Information**

This financial report is designed to provide a general overview of Manchester District Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Manchester District Library Director, 912 City Road, Manchester, Michigan, 48158.

## BASIC FINANCIAL STATEMENTS





**MANCHESTER DISTRICT LIBRARY**  
**Governmental Fund Balance Sheet/Statement of Net Assets**  
**May 31, 2008**

	<u>Governmental Fund</u>	<u>Reconciling Items</u>	<u>Statement of Net Assets</u>
<b><u>ASSETS</u></b>			
Cash	\$ 264,755	\$ -	\$ 264,755
Taxes Receivable	23,626	-	23,626
Capital Assets (net of accumulated depreciation)	-	278,770 (a)	278,770
Prepaid Expenditures	<u>3,366</u>	<u>-</u>	<u>3,366</u>
Total Assets	<u>\$ 291,747</u>	<u>\$ 278,770</u>	<u>\$ 570,517</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>			
Current Liabilities:			
Accrued Payroll	\$ 6,663	\$ -	\$ 6,663
Noncurrent Liabilities:			
Accrued Compensated Absences	-	7,237 (b)	7,237
Total Liabilities	<u>6,663</u>	<u>\$ 7,237</u>	<u>13,900</u>
Fund Balance:			
Reserved	5,935		
Unreserved:			
Undesignated	<u>279,149</u>		
Total Fund Balance	<u>285,084</u>		
Total Liabilities and Fund Balance	<u>\$ 291,747</u>		
 <b><u>NET ASSETS:</u></b>			
Invested in Capital Assets			278,770
Restricted			5,935
Unrestricted			<u>271,912</u>
Total Net Assets			<u>\$ 556,617</u>

(a) Capital assets are expensed in governmental fund financial statements; the acquired assets are capitalized and depreciated in the government-wide statement of net assets.

(b) Certain liabilities, including amounts due for compensated absences, are not due and payable in the current period and therefore are not reported in the governmental fund.



**MANCHESTER DISTRICT LIBRARY**  
**Statement of Governmental Revenues, Expenditures, and**  
**Changes in Fund Balance/Statement of Activities**  
**For the Year Ended May 31, 2008**

	<u>Governmental Fund</u>	<u>Reconciling Items</u>	<u>Statement of Activities</u>
<u>Revenues</u>			
Property Taxes	\$ 381,655	\$ -	\$ 381,655
State Shared Revenue	7,770	-	7,770
Penal Fines	13,069	-	13,069
Fines and Fees	10,483	-	10,483
Interest Income	8,936	-	8,936
Contributions and Grants	2,416	-	2,416
Total Revenues	<u>424,329</u>	<u>-</u>	<u>424,329</u>
<u>Expenditures</u>			
Current:			
Cultural - Library Operations	351,828	5,498 (b)	357,326
Capital Outlay	173,936	(139,481) (a)	34,455
Total Expenditures	<u>525,764</u>	<u>(133,983)</u>	<u>391,781</u>
Change in Fund Balance/Net Assets	(101,435)	133,983	32,548
Fund Balance/Net Assets - Beginning	<u>386,519</u>	<u>137,550</u>	<u>524,069</u>
Fund Balance/Net Assets - Ending	<u>\$ 285,084</u>	<u>\$ 271,533</u>	<u>\$ 556,617</u>

(a) Capital outlays are expensed in governmental fund financial statements; the acquired assets are capitalized and depreciated in the statement of activities. Depreciation for the year ended May 31, 2008, was \$34,455, and capital outlays were \$173,936.

(b) Increase in non-current liability for compensated absences payable is an expense in the statement of activities but is not an expenditure in the governmental funds.



MANCHESTER DISTRICT LIBRARY  
Notes to Financial Statements  
May 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Manchester District Library was established on May 22, 2000, by the approval of the voters of four participating municipalities, including the Village of Manchester, and the Townships of Bridgewater, Freedom, and Manchester. The District Library was formed under the authority of Public Act 24, of 1989. The District Library provides public library services to the residents of the Community.

In accordance with the provisions of the Governmental Accounting Standards Board the financial statements of the Manchester District Library contain all the Library's funds and authorities for which the Library is financially accountable and the nature and significance of their relationship with the Library are such that exclusion would cause the Library's financial statements to be misleading or incomplete.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as *general revenues*.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MANCHESTER DISTRICT LIBRARY  
Notes to Financial Statements  
May 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

Governmental Funds

The Library reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MANCHESTER DISTRICT LIBRARY  
Notes to Financial Statements  
May 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Library to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks.

2. Receivables and Payables

All trade and property tax receivables are shown net of allowances for uncollectible accounts, which are recorded at \$-0- at May 31, 2008.

3. Capital Assets

Capital assets, which include books and related materials, property and equipment, are defined by the Library as assets with an initial individual cost of more than \$1,000 and an estimated useful life of two years. Computers or property and equipment purchased in groups are combined for the purpose of the capital threshold amount. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property and equipment of the Manchester District Library are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Leasehold Improvements	10-20
Furniture & Fixtures	10
Equipment	5-7
Books and Materials	3-5
Collections	15

4. Compensated Absences

The Library's policy is to permit the Library Director to accumulate earned but unused sick pay benefits. In accordance with Governmental Accounting Standards Board Statement No. 16, accumulated unpaid sick pay amounts are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment. The total liability is recorded in the Statement of Net Assets. Management has determined that the total liability at May 31, 2008 is \$7,237.

MANCHESTER DISTRICT LIBRARY  
Notes to Financial Statements  
May 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Library is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The annual budget is prepared by the Library Director and adopted by the Library Board. Subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end. During the current year, budget amendments were made and are reflected in the financial statements.

The General Fund budget is adopted at the activity level for the Library activity in total, and on a basis consistent with generally accepted accounting principles.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

The Library has no funds with accumulated fund balance deficits.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

During the year ended May 31, 2008, the Library did not incur expenditures in excess of the amounts appropriated.



MANCHESTER DISTRICT LIBRARY  
Notes to Financial Statements  
May 31, 2008

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law the Library is permitted to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library's cash and investments are subject to several types of risk, which are detailed below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be recovered. The Library does not have a deposit policy for custodial credit risk. As of May 31, 2008, the Library's book balance of its deposits was \$264,587, and the total book balance was \$264,755 due to \$168 of cash on hand. The bank balance was \$331,064 which was exposed to custodial credit risk, as follows:

	<u>Bank</u> <u>Balance</u>
Insured by F.D.I.C	\$ 105,612
Uninsured and Uncollateralized	<u>225,452</u>
Total	<u>\$ 331,064</u>

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The Library's deposits and investments at year end consisted of the following:

	<u>Fair Value</u>	<u>Weighted Average</u> <u>Maturity</u>
Checking Accounts	\$247,965	Demand
Bank Investment Pool	\$ 77,487	Demand
Certificate of Deposit	\$ 5,612	27 months

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library's investment policy does not further limit its investment choices.

MANCHESTER DISTRICT LIBRARY  
Notes to Financial Statements  
May 31, 2008

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended May 31, 2008 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Leasehold Improvements	\$ 15,293	\$ 101,753	\$ -	\$ 117,046
Furniture and Fixtures	20,751	34,429	-	55,180
Equipment	17,763	-	-	17,763
Books	96,724	24,147	-	120,871
Audio Books	30,992	13,607	-	44,599
Movies and CD's	11,032	-	-	11,032
	<u>192,555</u>	<u>173,936</u>	<u>-</u>	<u>366,491</u>
Less: Accumulated Depreciation:				
Leasehold Improvements	(669)	(1,407)	-	(2,076)
Furniture and Fixtures	(4,547)	(1,888)	-	(6,435)
Equipment	(5,919)	(3,309)	-	(9,228)
Books	(28,228)	(18,956)	-	(47,184)
Audio Books	(6,425)	(6,198)	-	(12,623)
Movies and CD's	(7,478)	(2,697)	-	(10,175)
	<u>(53,266)</u>	<u>(34,455)</u>	<u>-</u>	<u>(87,721)</u>
Governmental Activities Capital Assets, net	\$ <u>139,289</u>	\$ <u>139,481</u>	\$ <u>-</u>	\$ <u>278,770</u>

Total Depreciation Expense charged to the Statement of Activities  
for the fiscal year ended May 31, 2008 is \$34,455.

MANCHESTER DISTRICT LIBRARY  
Notes to Financial Statements  
May 31, 2008

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Property Taxes

Property taxes are assessed as of each December 31. The Library tax levy is billed on December 1 of the following year. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. The maximum authorized operating levy for the Library is as follows:

<u>Type</u>	<u>Source of Authorization</u>	<u>Original Authorization</u>	<u>Maximum Authorization After "Roll Back"</u>	<u>Amount Levied</u>
Operating	Voted 11/04	1.05	1.05	1.05

D. Fund Balance Reservations/Designations

	<u>General Fund</u>
Reserved:	
Donor imposed restrictions	\$ 5,935
Unreserved:	
Undesignated	<u>279,149</u>
Total Fund Balance	<u>\$ 285,084</u>

IV. OTHER INFORMATION

A. Defined Contribution Retirement Plan

The Library contributes to a defined contribution retirement plan which covers the Library Director. A defined contribution plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to a participant's account and the returns on investments of these contributions. Contributions made by the Library vest immediately. The Library contributes 10% of the Library Director's gross earnings to the plan. In accordance with these requirements, the Library contributed \$4,814 for the fiscal year ended May 31, 2008.

MANCHESTER DISTRICT LIBRARY  
Notes to Financial Statements  
May 31, 2008

IV. OTHER INFORMATION – Continued

B. Rents

The District Library signed a shared use agreement with the Village of Manchester for the use of the Library facilities. The current agreement extends through May 31, 2015, with the Library having the option to extend this term to December 31, 2015.

During the term of the lease, the Library will pay rent in the sum of \$3,241.33 monthly. The Library will also pay a utility fee in the sum of \$900 per month. The utility fee will be reviewed annually. If the fees exceed the amounts paid by the Village, the excess shall be credited against successive sums due. If the fees were less, the Library shall reimburse the Village for those sums. Utility fees for each successive year shall be adjusted annually to reflect the Village's projected actual expenses for the following year. Unless otherwise agreed by the parties, the sums to be paid by the Library shall be 33% of the total utility bills. Also, during the term of this agreement the Library shall pay the Village a common area maintenance fee of \$124.66 per month, and an elevator funding fee of \$981.10 per month for the shared cost of the elevator installed during 2006.

The future minimum lease payments under non-cancelable leases at May 31 are summarized as follows:

Fiscal Year Ended May 31,	<u>Amount</u>
2009	\$ 62,965
2010	62,965
2011	62,965
2012	62,965
2013	62,965
Thereafter	<u>125,930</u>
	<u>\$ 440,755</u>

C. Risk Management

The Library is a member of the Michigan Township Participating Plan for its property and casualty insurance coverage and maintains commercial insurance coverage for workers compensation, and accidental death, dismemberment and disability liabilities. The Library believes such coverage is sufficient to preclude any significant uninsured losses to the Library. Settled claims have not exceeded this coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION



**MANCHESTER DISTRICT LIBRARY**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended May 31, 2008**

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues:				
Property Taxes	\$ 364,260	\$ 364,260	\$ 381,655	\$ 17,395
State Shared Revenue	3,000	3,000	7,770	4,770
Penal Fines	13,000	13,000	13,069	69
Fines and Fees	7,500	7,500	10,483	2,983
Interest Income	2,260	2,260	8,936	6,676
Contributions and Grants	-	-	2,416	2,416
Total Revenues	<u>390,020</u>	<u>390,020</u>	<u>424,329</u>	<u>34,309</u>
Expenditures:				
Salaries & Wages	150,000	160,700	162,894	(2,194)
Fringe Benefits	25,572	26,939	26,212	727
Books	26,260	24,295	24,147	148
Periodicals	3,250	3,425	3,423	2
Audio-Visual	12,000	13,610	13,607	3
Automation	21,000	22,814	20,135	2,679
Contract Labor	4,500	4,500	3,952	548
Professional Fees	4,500	5,577	5,577	-
Accounting/Payroll	1,800	2,088	2,021	67
Clinton Library Contract	27,000	26,000	25,996	4
Memberships and Dues	600	460	452	8
Postage	1,250	1,110	1,107	3
Telephone	2,600	2,260	2,259	1
Transportation	750	500	494	6
Rent	52,773	52,773	52,165	608
Insurance	5,200	3,400	3,389	11
Utilities	14,500	14,500	14,450	50
Internet Lines	6,000	5,697	8,371	(2,674)
Programs	2,500	2,637	2,637	-
Operating Supplies	8,715	9,641	9,638	3
Staff Education	2,000	1,853	646	1,207
Refunds & Miscellaneous	250	2,226	2,979	(753)
Marketing	2,500	1,865	1,865	-
Equipment	31,500	3,785	1,166	2,619
Contingency	8,000	645	-	645
Capital Outlay:				
Furniture & Fixtures	25,000	30,200	30,162	38
Leasehold Improvements	50,000	106,520	106,020	500
Total Expenditures	<u>490,020</u>	<u>530,020</u>	<u>525,764</u>	<u>4,256</u>
Net Change in Fund Balance	(100,000)	(140,000)	(101,435)	38,565
Fund Balance - Beginning	<u>386,519</u>	<u>386,519</u>	<u>386,519</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 286,519</u>	<u>\$ 246,519</u>	<u>\$ 285,084</u>	<u>\$ 38,565</u>





# POST, SMYTHE, LUTZ and ZIEL

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November 18, 2008

Board of Trustees  
Manchester District Library  
Washtenaw County, Michigan

In planning and performing our audit of the financial statements of the Manchester District Library as of and for the year ended May 31, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A new auditing standard, SAS No. 112 "*Communicating Internal Control Matters Identified in an Audit*" is effective for audits after December 15, 2006. Auditors are now required to inform clients in writing about significant deficiencies and material weaknesses that come to our attention.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

The Library has relied on its auditors to assist in the preparation of the government-wide financial statements and footnotes. The Library has decided it is more cost effective to outsource the preparation of its financial statements to the auditors. The result is that the Library does not have controls in place to prepare the government-wide financial statements and footnotes in accordance with generally accepted accounting principles. The Library does carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

This communication is intended solely for the information and use of management and the Board of Trustees of the Manchester District Library and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, reading "Post Smythe Lutz and Ziel of Plymouth". The signature is written in a cursive, flowing style.

Post, Smythe, Lutz and Ziel of Plymouth LLP  
Certified Public Accountants